



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Annexation Agreement for Property Tax Allocation

MEETING DATE: April 7, 1999

PREPARED BY: Administration

RECOMMENDATION: Approve the attached Annexation Agreement for property tax allocation and authorize the City Manager to sign and return the agreement to San Joaquin County.

BACKGROUND INFORMATION: California annexation procedures require that property tax agreements be in place before the Local Agency Formation Commission (LAFCO) can process an annexation application. There are no requirements regarding the format or contents of an agreement but an annexation cannot be considered without one. Individual agreements can be negotiated for each annexation or a master agreement can be executed.

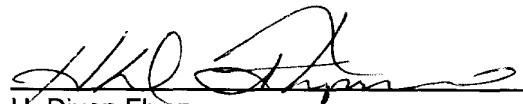
Over a seven-month period in 1996, the City Managers of the seven San Joaquin County cities and the County Administrator worked to create a new master Countywide Annexation Agreement. With the exception of Lodi, all of the cities have executed a master agreement based on the countywide consensus that was reached in these meetings.

The central feature of the Countywide agreements governs the allocation of property tax. The basic sharing of reallocated property taxes (the annexation pool) is specified to be in the ratio of 90% County and 10% City. As to term, the agreements executed by the other cities were to be in effect for a period of seven years and will be terminated on June 15, 2003.

It is in the interest of the City of Lodi to participate in the Master Annexation Agreement at this time. The agreement is based on the basic sharing of reallocated property tax (90/10) and the Countywide termination date (6/15/03).


FUNDING: None

Respectfully submitted,


H. Dixon Flynn
City Manager

Attachment
cc: San Joaquin County Administrator

APPROVED: _____


H. Dixon Flynn -- City Manager

City of Lodi — County of San Joaquin
Agreement For Property Tax Allocation Upon Annexation

A-99-_____

AGREEMENT entered into this ____ day of _____ 1996 by and between the City of Lodi, hereinafter referred to as "CITY", and the County of San Joaquin, hereinafter referred to as "COUNTY";

PREAMBLE:

CITY and COUNTY acknowledge that both CITY and COUNTY have increasing service responsibilities with restrained revenue resources. There is no agreement between CITY and COUNTY regarding the analysis of local government funding issues arising from annexations. CITY and COUNTY each have their own distinctive and differing perspectives on costs and revenues generated by annexed areas. However, there is a statutory requirement for a Property Tax Allocation Agreement for the Local Agency Formation Commission to annex land.

WITNESSETH:

WHEREAS, Article 13A, Section 1 of the Constitution of the State of California limits ad valorem taxes on real property to one percent (1%) of full cash value; and

WHEREAS, Chapter 6 of Part 0.5 of Division 1 of the Revenue and Taxation Code (Sections 95 et. seq.) provides for the allocation of property tax revenues; and

WHEREAS, CITY and COUNTY must have an agreement for the allocation of property tax revenues upon annexation.

NOW, THEREFORE, in consideration of the premises and the following terms and conditions, the parties hereto agree as follows:

1. DEFINITIONS.

The words and phrases in this Agreement shall have meanings as set forth below:

- A. “Annexation Property Tax Base” shall mean the Base Year sum of the ad valorem tax allocated to Detaching Special Districts, as defined herein, and to COUNTY within the area being annexed.
- B. “Detaching Special Districts” shall mean those political subdivisions organized pursuant to the laws of the State of California whose functions within the area being annexed are terminated and/or assumed by CITY.
- C. Detachment shall mean the removal from a special district of any portion of the territory of that special district.
- D. “Agreed Ratio” shall mean the ratio of 10% CITY and 90% COUNTY.
- E. “Base Year” shall mean the assessed valuation applicable to the property and improvements within the area being annexed at the time the application for annexation is submitted to the Local Agency Formation Commission (LAFCO).
- F. “Incremental Growth” shall mean the total increase or decrease in the property tax base over the base year within the annexed area.

2. PROPERTY TAX ALLOCATION.

Upon each annexation, property tax allocation shall be determined pursuant to one of the following provisions:

- A. Annexations that involve Detachment from a fire district. CITY and COUNTY shall, upon each annexation that, in whole or in part, involves Detachment from a fire district, share in the Annexation Property Tax Base and all Incremental Growth thereof pursuant to the Agreed Ratio for all portions of the annexation that involve Detachment from a fire district.
- B. Annexations that do not involve Detachment from a fire district. COUNTY shall, upon each annexation that, in whole or in part, does not involve Detachment from a fire district, receive the Annexation Property Tax Base and Incremental Growth thereof for all portions of the annexation that do not involve Detachment from a fire district.

3. APPLICATION OF AGREEMENT.

- A. Term. The provisions of this Agreement shall apply to all pending and future annexations until June 15, 2003, unless otherwise terminated under Section 7.
- B. Effective date. The effective date of property tax allocation for each annexation shall be determined in accordance with Government Code Section 54902 and any succeeding statutory provisions. As the date of this agreement, statements regarding the completion of annexations must be filed on or before December 1 of the year immediately preceding the year in which property taxes are to be shared.
- C. Future property taxes. The provisions of this Agreement would also apply to any property exempt from ad valorem taxes which subsequently became taxable within the area to be annexed.

4. JOINT REVIEW.

CITY and COUNTY may jointly review COUNTY property tax records from time to time or as requested by CITY to verify accurate distribution under the Agreement.

5. EXCLUSIONS.

- A. The Agreement will not apply to proposed annexations areas where the COUNTY is currently receiving transient occupancy tax revenues. Annexation agreements for areas where the COUNTY is currently receiving TOT revenues will be individually negotiated between the COUNTY and CITY to address the potential TOT loss to the COUNTY.
- B. The Agreement will not apply to proposed annexation areas where gross taxable sales, subject to sales and use taxes, exceed \$1 million in the most recent year that taxable sales data is available from the State Board of Equalization or any other State successor organization that may provide taxable sales information. Annexation agreements for areas containing over \$1 million in taxable sales will be individually negotiated between the COUNTY and CITY to address the potential sales and use tax loss to the COUNTY.

6. REGIONAL COOPERATION.

In consideration of the unique and mutual funding difficulties of both CITY and COUNTY, CITY and COUNTY will jointly develop and seek to implement changes in their activities which will improve the cost effectiveness of service delivery by both CITY and COUNTY, including but not limited to consolidation of services between governmental agencies and inter-agency contracting for services.

7. TERMINATION.

This Agreement may be terminated, by either party hereto, upon six (6) months written notice. Said termination shall not affect annexations for which the LAFCo Executive Officer has issued a certificate of filing prior to the end of the six (6) month termination period.

8. GOVERNING LAW AND ATTORNEYS' FEES.

This Agreement shall be construed and enforced in accordance with the laws of the State of California. Should any legal action be brought by either party because of any default under this Agreement or to enforce any provision of this Agreement, or to obtain a declaration of rights hereunder, the prevailing party shall be entitled to reasonable attorneys' fees, court costs and such other costs as may be fixed by the Court. The standard of review for determining whether a default has occurred under this Agreement shall be the standard generally applicable to contractual obligations in California.

9. NOTICES.

Any notice of communication required hereunder between CITY and COUNTY must be in writing, and may be given either personally, by telefacsimile (with original forwarded by regular U.S. Mail) or by Federal Express or other similar courier promising overnight delivery. If personally delivered, a notice or communication shall be deemed to have been given and received when delivered to the party to whom it is addressed. If given by facsimile transmission, a notice or communication shall be deemed to have been given and received upon actual physical receipt of the entire document by the receiving party's facsimile machine. Notices transmitted by facsimile after 5:00 p.m. on a normal business day or on a Saturday, Sunday, or holiday shall be deemed to have been given and received on

the next normal business day. If given by Federal Express or similar courier, a notice or communication shall be deemed to have been given and received on the date delivered as shown on a receipt issued by the courier. Such notices or communications shall be given to the parties at their addresses set forth below:

To CITY (City Manager):

City of Lodi
H. Dixon Flynn
City Hall
P. O. Box 3006
Lodi, CA 95241-1910
Telefacsimile: 333-6807

To COUNTY
(County Administrator):

David L. Baker
Courthouse, Room 707
222 E. Weber Avenue
Stockton, California 95202
Telefacsimile: (209) 468-2875

With Copies To (City Attorney):

City of Lodi
Randall Hays
City Hall
P. O. Box 3006
Lodi, CA 95241-1910
Telefacsimile: 333-6807

With Copies To
(County Counsel):

Terrence R. Dermody
Courthouse, Room 711
222 E. Weber Avenue
Stockton, California 95202
Telefacsimile: (209) 468-2875

Either party hereto may at any time, by giving ten (10) days written notice to the other party, designate any other address or facsimile number in substitution of the address or facsimile number to which such notice or communication shall be given.

10. SEVERABILITY.

If any provision of this Agreement is held invalid, void, or unenforceable but the remainder of this Agreement can be enforced without failure of material consideration to either party, then this Agreement shall not be affected and it shall remain in full force and effect, unless amended by mutual consent of the parties. Notwithstanding this severability clause, each subsection of Section 2. Property Tax Allocation and Section 5. Exclusions, is material and substantial and the failure of said subsection is the failure of material consideration, causing the agreement to be void from the date that the subsection is held invalid.

11. FURTHER ASSURANCES.

Each party shall execute and deliver to the other party all such other further instruments and documents and take all such further actions as may be reasonably necessary to carry out this Agreement and to provide and secure to the other party the full and complete enjoyment of its rights and privileges hereunder.

12. CONSTRUCTION.

Both parties have been represented by counsel in the preparation of this Agreement and no presumption or rule that ambiguity shall be construed against a drafting party shall apply to interpretation or enforcement hereof. Captions on sections and subsections are provided for convenience only and shall not be deemed to limit, amend, or affect the meaning of the provision to which they pertain.

13. OTHER MISCELLANEOUS TERMS.

The singular includes the plural; the masculine gender includes the feminine, “shall” is mandatory; “may” is permissive.

14. TIME.

Time is of the essence of each and every provision hereof.

//
//
//
//
//
//
//
//
//
//

IN WITNESS WHEREOF, the parties hereto have executed this Agreement.

RECOMMENDED FOR APPROVAL:

H. Dixon Flynn
City Manager

David L. Baker
County Administrator

Date

Date

CITY OF LODI

COUNTY OF SAN JOAQUIN

Keith Land, Mayor

Robert J. Cabral, Chairman
Board of Supervisors

Approved as to Form

Approved as to Form
Terrence R. Dermody
County Counsel

Randall Hays
City Attorney

By Michael McGrew,
Assistant County Counsel

ATTEST: Alice Reimche
City Clerk

ATTEST: Lois M. Sahyoun
Clerk of the Board of Supervisors

3/3/99 agenda

**LOCAL AGENCY FORMATION COMMISSION
OF SAN JOAQUIN COUNTY**

LAFCO

1860 E. HAZELTON AVENUE □ STOCKTON, CA 95205

CHAIRMAN
GERARD J. MACHADO
PUBLIC MEMBER

VICE CHAIRMAN
DON MOYER
RIPON CITY COUNCIL

MEMBERS

ROBERT J. CABRAL
COUNTY BOARD
OF SUPERVISORS

STEVEN MC KEE
LATHROP CITY COUNCIL

EDWARD A. SIMAS
COUNTY BOARD
OF SUPERVISORS

ALTERNATE MEMBERS

DAN BILBREY
TRACY CITY COUNCIL

EVELYN COSTA
PUBLIC MEMBER

JACK A. SIEGLOCK
COUNTY BOARD
OF SUPERVISORS

EXECUTIVE OFFICER
BRUCE C. BARACCO

COUNSEL
MICHAEL MC GREW

February 3, 1999

City Council
City of Lodi
P.O. Box 3006
Lodi, CA 95241

RE: Property Tax Allocation Agreement

Dear Council Members:

It is my understanding that the City of Lodi does not yet have a Property Tax Allocation Agreement with San Joaquin County. This creates a stumbling block for any annexation proposals that may be forthcoming from the City.

With the elevation of Jack Sieglock to the Board of Supervisors, this may be an opportune time to negotiate a Property Tax Allocation Agreement with the County. Supervisor Sieglock has also been appointed as the County alternate member to LAFCo. As you may also be aware, beginning in May the City will have the City alternate member on LAFCo.

My office is available to assist in the negotiation process, or to provide technical support. Please feel free to call on me if you are interested in pursuing this matter.

Sincerely,


BRUCE C. BARACCO
Executive Officer

BCB:ll

cc: Konradt Bartlam, Community Development Department
Richard Laiblin, County Administrator's Office